



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **22 VAC 40-880 – Child Support Enforcement Program Department of Social Services October 5, 2005**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The State Board of Social Services proposes to amend the Child Support Enforcement Program in several ways:

- The proposed regulation allows the Division of Child Support Enforcement (DCSE) to request that child support arrears owed by a non-custodial parent be paid in full before DCSE negotiates a settlement and before property seized from the non-custodial parent is returned.
- In order to take advantage of the allowable self employment tax credit during child support computation, parents will have to provide Schedule H from their most recent federal tax return to prove they actually paid self employment taxes.
- The program is also being amended to account for legislative actions in 2003 and 2004 that make certain provisions and Code citations in the program text obsolete.

## **Estimated Economic Impact**

Under the current regulation, non-custodial parents who are not complying with an effective child support order and who have accumulated arrearages can regain property that DCSE has ordered to be seized from them by paying \$500 or 5% of their accumulated arrearages, whichever is greater. The board proposal will allow DCSE greater flexibility to negotiate a larger settlement up to and including full, lump-sum repayment of all arrearages before seized property is returned. Non-custodial parents will still be accorded the same protection against unjust seizure as they do under current regulation. Children to whom support arrearages are owed will benefit from this regulatory change as their custodial parents are likely to receive a greater percentage of the money owed than they may have under current regulation. This might lead to any number of improvements in the family lives of these children. In any case, this regulatory change is likely to be beneficial for the citizens of the Commonwealth because it helps to place the responsibility for supporting children where that responsibility belongs, with children's parents.

Current regulation requires verification of financial information when child support is calculated. The proposed regulation, which specifies what proof is necessary in order to claim a self employment tax credit, does not change the substance of that requirement.

Legislative action over the last few years has made some code references in the current regulation obsolete. Additionally, Code of Virginia §20-108.2(D), which went into effect July 1, 2004, directs that parents will split any unreimbursed medical or dental expenses that are in excess of \$250 for any calendar year according to the income shares used to compute monthly child support. The proposed regulation corrects the obsolete Code references and adds new language so that unreimbursed medical expenses will be split according to legislative mandate. Again, this regulatory change is likely to be beneficial for the citizens of the Commonwealth because it helps to place the responsibility for supporting children where that responsibility belongs, with children's parents.

## **Businesses and Entities Affected**

The proposed regulation will affect all individuals who have cases being handled by DCSE.

## **Localities Particularly Affected**

The proposed regulation will affect all localities in the Commonwealth.

## **Projected Impact on Employment**

Employment in Virginia is unlikely to see either growth or decline due to this regulatory change.

## **Effects on the Use and Value of Private Property**

Non-custodial parents may lose the use of seized property until they pay all or part of their child support arrearages.

## **Small Businesses: Costs and Other Effects**

The proposed regulatory change is unlikely to create costs for private businesses, small or otherwise.